

BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF WASHINGTON

In the Matter of

No. G02-45

THE APPLICATION REGARDING
THE CONVERSION AND
ACQUISITION OF CONTROL OF
PREMERA BLUE CROSS AND ITS
AFFILIATES

FIRST JOINT STATUS REPORT OF
OIC STAFF AND PREMERA BLUE
CROSS AND ITS AFFILIATES

In compliance with the instructions contained in the Fourth Order: Ruling on Motions to Intervene issued by the Commissioner on February 10, 2003, the OIC Staff and Premera Blue Cross and its Affiliates ("Premera") hereby submit their First Joint Status Report regarding the progress of the ongoing data and information collection.

INTRODUCTION

The parties have continued to endeavor to expedite the information-gathering process. Although Premera has provided an extensive amount of information in response to the requests of the OIC Staff and the consultants retained by the OIC Staff and the Alaska Division of Insurance ("States' Consultants"), the OIC Staff and the States' Consultants contend that a substantial number of the responses are not complete and Premera is withholding some information that it claims is not disclosable. For its part, Premera believes that it has produced all non-privileged documents that are responsive to the requests received from the States' Consultants, apart from a very small number of documents as to which third-party confidentiality concerns are still being addressed.

At this point in time, Premera and the OIC Staff recognize the usefulness of a meeting to discuss the parties' differences of opinion for the purposes of identifying areas of

1 agreement and disagreement, clarifying any ambiguous requests or responses, and
2 determining what remains to be done to complete the data and information collection phase of
3 this proceeding. Previously, on January 7, 2003, representatives of Premera and the States'
4 Consultants met for this purpose. That meeting resulted in clarification of a number of
5 requests and responses, but it did not result in resolving all differences. Now that the number
6 of open requests has been reduced significantly, another meeting is timely. Convening such a
7 meeting prior to the filing of this report has not been possible. Moreover, Premera is
8 completing a privilege log that was requested during the January 7, 2003 meeting, which will
9 identify the information that Premera is withholding under a claim of privilege. The OIC
10 Staff and the States' Consultants will review the materiality of those documents and consider
11 the validity of Premera's claims of privilege.

12 The OIC Staff and Premera will meet as soon as practicable for these purposes, on or
13 promptly after March 14, 2003. In addition, as soon as Premera furnishes a privilege log, the
14 OIC Staff and Premera will meet to discuss the information and documents that Premera has
15 withheld from production as privileged. The States' Consultants will be instructed to confer
16 with Premera in the meantime to clarify and resolve any and all outstanding requests and
17 responses. The parties will report the results of these meetings to the Commissioner. To
18 ensure that any remaining issues are promptly resolved, the OIC Staff and Premera suggest
19 that a follow-up pre-hearing conference be scheduled on or shortly after March 21, 2003. If
20 there are no issues requiring the Commissioner's intervention, that pre-hearing conference can
21 be canceled.

22 **DATA OR INFORMATION REQUESTS AND RESPONSES**

23 The most recent version of the matrix, which summarizes the current status of the data
24 requests submitted by the States' Consultants, is attached, marked as Exhibit "A" and
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1 incorporated herein by reference.¹ The current status of the document and information
2 requests submitted to Premera by the consultants retained by the Alaska Division of Insurance
3 is also included in Exhibit “A.”²

4 Further, a number of questions have been submitted by the States’ Consultants to
5 Premera. A summary of the current status of the questions is contained in an instrument that
6 is attached, marked as Exhibit “B” and incorporated by reference.

7 **INTERVIEWS OF PREMERA PERSONNEL AND ADVISORS**

8 The interviews of management and advisors of Premera by the states’ consultants are
9 substantially complete. It is likely that follow-up meetings will be necessary as a result of
10 information and questions arising out of additional data that Premera will produce. At a
11 meeting on February 24-25, the States’ Consultants and Premera agreed upon a process for
12 updating the financial projection model, and Premera committed under that process to provide
13 the updated model to the consultants by March 7. The model will contain actual financial data
14 through the year-end 2002 with projections through 2007. The States’ Consultants agreed that
15 the model will not need to be updated with any incremental, quarterly actual financial data for
16 any reporting period after year-end 2002 for them to complete their draft reports in connection
17 with Premera’s Form A filing. However, the actual financial data in the model may have to
18 be updated in order for the States’ Consultants to deliver their final reports.

19 A summary of the current status of the interviews is attached, marked as Exhibit “C”
20 and incorporated by reference.

21 **MISCELLANEOUS**

22 Currently, all of the states’ consultants have executed personal services contracts or
23 other agreements with respect to this proceeding. Still remaining to be executed are

24 ¹ The item request numbers are located in the leftmost column entitled “Request No.” The requests are
25 listed consecutively. This exhibit reflects the status of requests submitted by both the OIC Consultants and the
26 Alaska Consultants as of February 27, 2003 accompanied by Premera’s response or comment.

² See, e.g., the requests with prefixes of “B” or “C.”.

1 indemnification agreements between Premera and several of the consultants. The consultants
2 retained by the OIC Staff that require indemnification agreements are The Blackstone Group
3 and PricewaterhouseCoopers. The consultant retained by the Alaska Division of Insurance
4 that also requires execution of an indemnification agreement is Signal Hill Capital Group.
5 The indemnification agreements are in the process of being finalized.

6 DATED this 27th day of February, 2003.

7 Respectfully submitted,

8 OFFICE OF INSURANCE COMMISSIONER
9 STATE OF WASHINGTON

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